

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY)	
FOR APPROVAL OF AN AMENDED COMPLIANCE)	
PLAN FOR PURPOSES OF RECOVERING)	
ADDITIONAL COSTS OF POLLUTION CONTROL)	CASE NO.
FACILITIES AND TO AMEND ITS)	2005-00068
ENVIRONMENTAL COST RECOVERY)	
SURCHARGE TARIFF)	

O R D E R

On March 8, 2005, the Kentucky Power Company ("Kentucky Power") filed an application, pursuant to KRS 278.183, seeking approval of an amended compliance plan to recover the cost of pollution control projects that were installed on coal fired electric generating units owned and operated by affiliates of Kentucky Power. The application states that these compliance costs are paid by Kentucky Power pursuant to Federal Energy Regulatory Commission approved agreements between Kentucky Power and certain of its affiliates. Kentucky Power also proposes to amend its Environmental Surcharge tariff to reflect the inclusion of these additional costs. Included with its application is a proposed surcharge tariff with an effective date of April 29, 2005.

The Commission finds that further proceedings are necessary to investigate the reasonableness of the proposed amendments to Kentucky Power's compliance plan and surcharge tariff. Pursuant to KRS 278.183(2), the Commission has 6 months to complete its investigation and determine the reasonableness of the compliance plan

and rate surcharge. Until the expiration of that statutory period, Kentucky Power's proposed tariff cannot be implemented under KRS 278.183. The procedural schedule set forth in Appendix A provides for the completion of this investigation within the statutory 6 months.

The Commission further finds that certain background information relating to the costs Kentucky Power is proposing to now recover through its environmental surcharge is needed. The information requested in Appendix B to this Order should provide this necessary background information.

IT IS THEREFORE ORDERED that:

1. Kentucky Power shall not implement its proposed surcharge tariff until the Commission has made a determination, pursuant to KRS 278.183, of whether it is reasonable and cost effective.
2. The procedural schedule set forth in Appendix A, which is attached hereto and incorporated herein, shall be followed.
3. All requests for information and responses thereto shall be appropriately indexed. Any request for information from the Commission Staff shall be responded to as if set forth in a Commission Order. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 7 copies to the Commission.
4. Kentucky Power shall provide the responses to the information requested in Appendix B no later than April 4, 2005.
5. Any party filing testimony shall file an original and 10 copies.

6. Kentucky Power shall give notice of the hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, Kentucky Power shall forward a duplicate of the notice and request to the Commission.

7. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

8. Motions for extensions of time with respect to the attached schedule shall be made in writing and will be granted only upon a showing of good cause.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 21st day of March, 2005.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00068 DATED MARCH 21, 2005.

Responses to the information requested in Appendix B
to this Order shall be filed no later than..... 04/04/05

All initial requests for information to Kentucky Power
shall be filed no later than 04/18/05

Kentucky Power shall file responses to initial requests for
information no later than..... 05/02/05

All supplemental requests for information to Kentucky Power
shall be filed no later than 05/13/05

Kentucky Power shall file responses to supplemental requests
for information no later than 05/23/05

Intervenor testimony, if any, in verified prepared form,
shall be filed no later than 06/07/05

All requests for information to Intervenors shall be
filed no later than..... 06/20/05

Intervenors shall file responses to request for
information no later than..... 07/05/05

Last day for Kentucky Power to publish notice of hearing To be scheduled

Kentucky Power shall file rebuttal testimony, if any,
in verified prepared form, no later than..... 07/12/05

Public Hearing shall begin at 9:00 a.m., Eastern
Daylight Time, in Hearing Room 1 of the Commission's
offices at 211 Sower Boulevard, Frankfort, Kentucky,
for the purposes of cross-examination of witnesses of
Kentucky Power and Intervenors To be scheduled

Briefs, if any, shall be filed by To be scheduled

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2005-00068 DATED MARCH 21, 2005.

BACKGROUND INFORMATION REQUESTED FROM KENTUCKY POWER COMPANY

1. Concerning the environmental costs from the American Electric Power Company ("AEP") surplus companies that Kentucky Power proposes to recover through its environmental surcharge, exclusive of the environmental costs associated with the Rockport Unit Power Agreement ("Rockport UPA"), explain in detail how each environmental cost identified in Exhibit JMM-1 to the Application currently impacts the following rates and calculations by AEP. Include specific examples of how the environmental costs are impacting the rates and calculations.

- a. The primary capacity investment rate.
- b. The fixed operating rate.
- c. The AEP Pool capacity rate calculations.
- d. The deficit companies' capacity settlement charge calculations.
- e. The AEP System Pool capacity equalization settlement calculations.

2. Explain how the rates and calculations listed in Item 1 above are currently billed to Kentucky Power as a deficit company within the AEP Pool.

3. Explain how Kentucky Power currently bills its Kentucky jurisdictional ratepayers for the rates and calculations listed in Item 1 above.

4. Concerning the environmental costs associated with the Rockport UPA, explain in detail how these costs flow to Kentucky Power through the AEP Generating Company and the Rockport UPA.

5. Explain in detail how the Rockport environmental costs are currently billed to Kentucky Power under the Rockport UPA.

6. Explain how Kentucky Power currently bills its Kentucky jurisdictional ratepayers for the Rockport environmental costs incurred through the Rockport UPA.